

PERFORMANCE TURNAROUND - A GLOBAL FORCE IN STEEL PRODUCTION AND ENGINEERING

Sheffield Forgemasters International Ltd (SFIL) is the UK's largest independent steel company and one of the largest private sector employers in Sheffield.

In conversation with...

Graham Honeyman, CEO

The company specialises in the production of large, bespoke, high integrity steel castings and forgings, as well as standard rolls, ingots and bar.

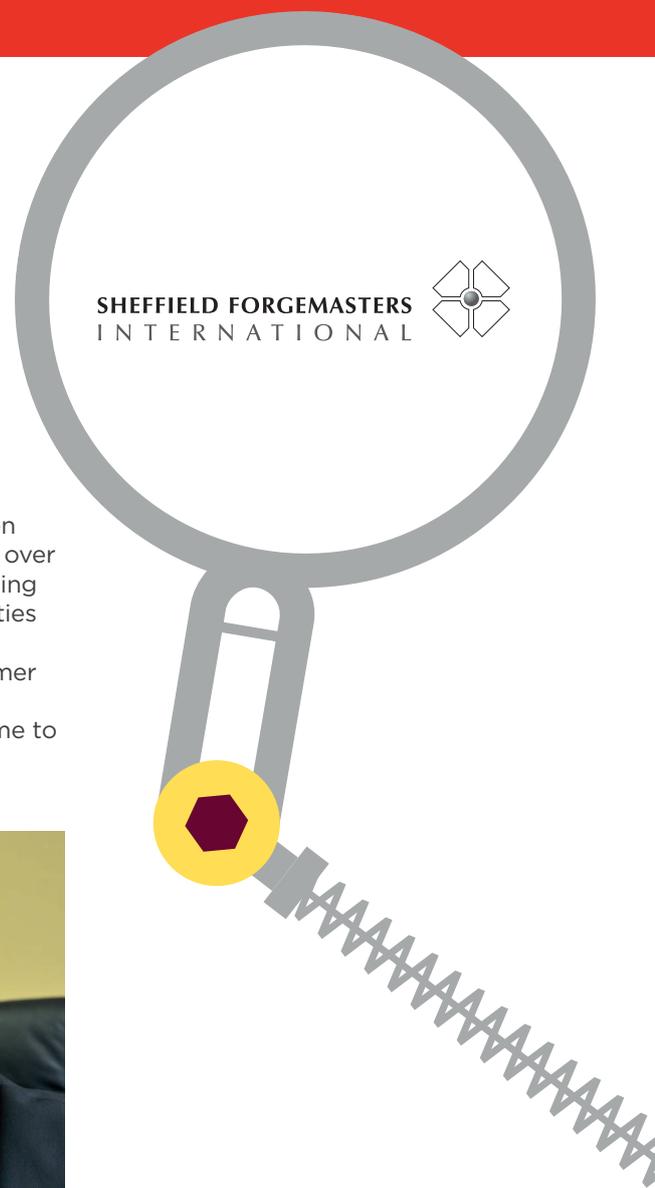
SFIL supplies to the defence, engineering, power generation, civil nuclear, offshore oil and gas, petrochemical and materials processing industries worldwide, and currently has the capacity for pouring the largest single castings (up to 570 tonnes finished weight) in Europe.

We met Graham Honeyman, CEO, to find out more about the organisation and the turnaround programme facilitated by Project One consultants James Hancock and Ian Gorrie. We were lucky enough to have a tour of the site, which was fascinating and you could clearly sense a great family atmosphere amongst the team.

An award-winning organisation that has been in operation for over 250 years, SFIL has a captivating story. Currently facing difficulties due to a global economic downturn across many customer industries, SFIL needed to facilitate a five year programme to bring the business back into profitability.



Graham Honeyman, CEO





THE CHALLENGE

Tell me about the challenge you were facing?

A management buyout took place in 2005, and as a result the organisation is now owned wholly by the employees through shares. For 10 years we turned around a previously loss-making company to one that continually made a profit year-on year, by focusing on specialist manufacturing and technical knowledge. With a rapid downturn across many markets since 2014 it's been difficult to make a profit. The offshore market has disintegrated before our eyes within a matter of months, and this sector formerly made up 42% of our sales.

With 80% of what we produce being for export, and a lot of overseas competition owned by large corporations which can afford to cut prices, there's a fierce battle out there which continues.

So it's difficult to get the work into the company. Significant losses were made in 2014/2015, with that came pressure on the management team and secured lenders required substantial assurances to continue supporting us.

We needed an up to date turnaround plan to combat these circumstances.

What was the risk if you didn't complete the turnaround?

It's not only our own business which needs to survive this downturn, it's also critical to other markets and industries that we continue to manufacture the specialist products that we do. It's not an option to fail, we are here to succeed.

**"IT'S NOT AN OPTION TO
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What steps have you put into place to achieve this?

There are a number of milestones in place:

- Appoint a COO - James Hancock is currently acting as COO and will help to uplift capability for his successor
- Reduce headcount from 739 to 638
- Appoint a Commercial Director
- Save costs on legal fees, appointing an in-house legal counsel
- Restructure the company - we were functioning as eight independent businesses, selling to each other, so we've now formed as one, with individuals given responsibility for departments such as sales, operations etc.
- Buying new equipment to make us more efficient for our customers

“WE KNOW THAT THERE IS A NEED TO DIVERSIFY ACROSS A BROADER MARKET, TO ENTER THOSE MARKET SECTORS AND MAKE GROUND BASED ON OUR MANUFACTURING EXCELLENCE.”

Graham Honeyman, CEO

WHAT ATTRACTED YOU TO PROJECT ONE?

I'd heard about Project One from a large client who recommended that you could provide the specialist help we were looking for. We needed to act quickly and I knew Project One could hit the ground running. James Hancock and Ian Gorrie drove this forward.

What expertise has Project One brought to this programme?

I really like the Project One DNA, James and Ian have got a terrific thought process. There's a discipline about Project One – we've got a turnaround plan and it's about making sure we don't deviate from what we're meant to do. They know how important it is for the company to make crucial improvements and are pushing us every single day.

James and Ian are exceedingly knowledgeable, highly disciplined and extremely friendly and supportive. They've got everything that I require. I don't regret for one minute bringing them in when

I did. They've settled in well and they feel like an integrated part of our board. I think they have become hooked on the place – they put an enormous amount of work in and I'm proud of that.

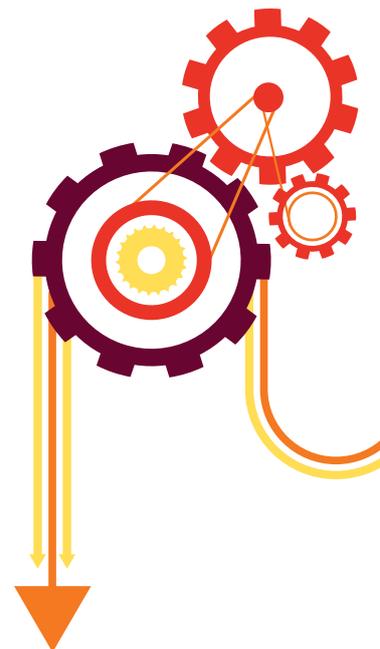
What is the long term goal for SFIL?

Currently, it's like being in a 5000 metre race – there are two runners at the front setting the pace for the other runners and eventually those two will drop out of the race. If you're good enough you should carry on running around at the same pace. James and Ian's task is to make sure we are strong enough from a management position so that we can carry on without them.

I still believe that the most important thing that we do, and better than any other Forgemaster, is our technical capability. Of course we will always keep on manufacturing, but I'd like to expand the technical consultancy side. We are technically motivated

here – which comes from me and my background.

And we know that there is a need to diversify across a broader market, to enter those market sectors and make ground based on our manufacturing excellence.



For 10 years we turned around a previously loss-making company to one that continually made a profit year-on year, by focusing on specialist manufacturing and technical knowledge.

What are you most proud of?

I believe in apprenticeships and teaching young people, we have one of the highest apprentice rates in the country for our type of work.

90% of apprentices survive the three years of training, and they all get a job at this company.

They are all from the local area, their families encourage them to come here and I'm proud of that.

I'm also proud of the things we make – from components for nuclear submarines, to offshore oil and gas, to Russian power stations – all of these things are exciting. I think that encourages the youngsters that come in, and there is the paramount challenge of working safely as part of a team within a hot steel-making environment, so there's a little bit of excitement around that too.



WHAT HAVE YOU LEARNT FROM THIS TURNAROUND PROCESS?

You can get stuck with a management style that you've had for some time, and what Project One has done is bring in a new style and new discipline, I'm sure that myself and the board of directors have learnt from that and will take it forward.

The most important aspect here is that we're doing something different because Project One have brought that style into the company. We have changed and you've had a big part to play in that.

“James and Ian are outstanding, I'm really pleased with them.”

